

From: Kerry.McGuire@Sun.COM
To: craig gering; Jeet Kaul
CC: Brent Bowman
Sent: 6/25/2009 10:33:47 PM
Subject: Jeet, Craig - please look - updated Q&A re:Savage impairment

Jeet, Craig

I've summarized the questions iwe got back on Savaje, and answered as best I can after our conversations.

I need your feedback and additions by COB today. Please take a look and expand or edit as needed. As it is written now, the comments below indicated that we are using <20% of the acquired technology, we're down to 4 engineers working on it, we're a year at best from seeing any related revenue, and that could get pushed out further if we don't sign a customer in the next few months. But it is still important to Java FX mobile, and we still have plans to use the technology in our roadmap, with future products as far as 6-9 months away (Daneel).

We do have a few deals shipping this summer and fall with elements of savage, but they are assumed to be small. Quantification would be helpful.

Also, if there is any value to our ME business, we need to articulate that.

Thanks,
Kerry
x6-6995

- When did the strategy for Savage change?

- Savaje was a complete mobile operating system, our acquisition plan assumed we could license the OS. Turning point in the strategy was when Google announced the Android operating system for free. Expecting this to change the market for operating systems, Jeet and Eric adjusted course to leverage elements of the Savaje technology as features in Java FX mobile, which can run independently of the operating system. Savaje became part of the Java FX strategy.

- Why have competing engineering priorities and developments in the Java business model resulted in delays for Savaje monetization?

- One of the key elements of building broad market appeal for Java FX, is deploying the technology platform to desktop, mobile, and TV. The ability for a developer to develop once and deploy to all three environments is very compelling for Java FX. However, Java FX TV has required more work to get it in position to support the strategy. Furthering Java FX mobile without having Java FX TV in position would have had limited benefit, so engineering resources were reinvested on Java FX TV.

- How many engineering resources do we have dedicated to this now (and planned for FY10) compared to what has been invested in the past?

- 12 engineers came with the acquisition. We now have 4 of them working on the Savaje technology, 4 of them working on Java FX.

- Is there any ramp-up or ramp-down in our investment in the technology?

- CRAIG, PLEASE HELP HERE

- Document the relative importance of the Savaje technology that we acquired. Would we have been able to engineer the products/feature sets without the acquired technology? CRAIG? How important is it?

- With Savaje, we acquired the operating system, applications, runtime, and valuable knowledge of how to port a platform. The operating system and applications are no longer featured in the current strategy, but we are still using their graphic pipeline, application framework, which are about 20% of the original technology. The expertise in porting is also extremely valuable to make Java FX mobile runtime work on multiple platforms, independently of the OS.

- What is our level of confidence in achieving the currently planned release dates (particularly given that this is the second time revenue from this acquisition has been pushed out by a significant time period)? What are the risks associated with both achieving the release and overall Java FX? What are we doing to make sure we achieve this?

- We have used a portion of the Savaje IP in an Embedded/SE ARM port for a Qualcomm device, which will ship this fall. We have also used a portion of the Savaje IP in the CDC/FP/AGUI project for Cisco VOIP phone, which will ship this summer (this is an ME project). The most significant use of Savaje technology is in the Java FX mobile runtime, CRAIG - IS THIS AVAILABLE NOW, I.E. IF WE SIGNED ORANGE TOMORROW...IS THIS WHAT THEY WOULD BE BUYING? Roadmap includes a plan to leverage the Android platform (which is growing in popularity), layering Java FX and Savaje technology on top of it, which will be available in 6-9 months.

- Do we have anything that illustrates where Savaje technology is being incorporated in both the Java ME and Java FX technology stacks? It would be helpful to see how it is expected to fit into the final product. It would also be helpful to see this in a roadmap context - meaning if we can see the timing of when Savaje technology is being incorporated into both.

- See prior question.

- Can you expand further on the comments related to the "lead time for implementation" and the "time required to deliver applications"? What are some examples that we have of "customer appetite" for the product?

- We have been in discussions with Orange Telecom (France Telecom) for 8 months. This is our most significant level of interest. Other potential customers have been identified, but none are serious yet. Once we have agreement with an operator such as Orange, they would then need to work back through mobile device manufacturer to incorporate our software into a phone. That whole process will require months after we sign a contract.
- Bundling applications was another part of the plan to monetize the Savaje technology, but we are 6 months from having those applications. It is important to note that the probability of greatest success for the Java FX strategy will best when all of the elements are available together for the OEM customers and the Java development community (Java FX mobile, Java FX TV, App Store)

- In general, we need to support a longer useful life for Savaje technology. When we acquired Savaje, we actually modeled revenue for up to 10 years from the acquired technology (as part of the intangible asset valuation). This is fairly long for a technology asset. What makes the technology we acquired this "sticky"? How long do we currently expect the technology/platform/features to have relevance in the market? Why is this different from other software that is typically assumed to have a shorter life of 3-5 years? How relevant is it in the current market?

- A significant portion of the Savaje technology is no longer useful in the current strategy (see above). However, the portions of the Savaje technology (application framework) that we are using may have actually become more relevant in the marketplace today given the profound impact of "apps". Part of the appeal is giving control to carriers to deliver unique apps and services to compete. We are still planning to use these elements of Savaje in product releases scheduled 6-9 months from now.

- Would it be appropriate to include any revenue from Java ME? Could we at least document the case for how features added by Savaje technology are going to help protect our Java ME revenue stream? CRAIG, IS SAVAGE TECHNOLOGY RUNNING IN ANYTHING WE'RE SHIPPING TODAY?....WILL WE PUT ANY MORE OF THE SAVAGE TECHNOLOGY INTO ME?SEPARATELY.....IS THE EVOLUTION/DIRECTION/ROADMAP OF JAVA FX RETAINING JAVA CUSTOMERS THAT WE MAY HAVE LOST BY NOW OTHERWISE?